



FINANCIAL
SERVICES
ROUNDTABLE



Via Electronic Submission

November 18, 2013

Robert deV. Frierson
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW.
Washington, DC 20551

Re: Proposed Agency Information Collection Activities; Comment Request

Dear Mr. deV. Frierson:

The Financial Services Roundtable,¹ the American Bankers Association² and The Clearing House Association L.L.C.³ (together, the “Associations”) welcome the opportunity to provide the Board of Governors of the Federal Reserve System (the “Board”) with comments on the proposed information collection and instructions (the “Information Request”) that would require submission of the Complex Institution Liquidity Monitoring Report (FR 2052a) and the Liquidity Monitoring Report (FR 2052b) (together, the “FR 2052 Reports”).⁴

¹ The Financial Services Roundtable represents 100 of the largest integrated financial services companies providing banking, insurance and investment products and services to the American consumer. Member companies participate through the Chief Executive Officer and other senior executives nominated by the CEO. Roundtable member companies provide fuel for America’s economic engine, accounting directly for \$92.7 trillion in managed assets, \$1.2 trillion in revenue, and 2.3 million jobs.

² The American Bankers Association represents banks of all sizes and charters and is the voice for the nation’s \$14 trillion banking industry and its 2 million employees. Learn more at www.aba.com.

³ Established in 1853, The Clearing House is the oldest banking association and payments company in the United States. It is owned by the world’s largest commercial banks, which collectively employ over 2 million people and hold more than half of all U.S. deposits. The Clearing House Association L.L.C. is a nonpartisan advocacy organization representing – through regulatory comment letters, amicus briefs and white papers – the interests of its owner banks on a variety of systemically important banking issues. Its affiliate, The Clearing House Payments Company L.L.C., provides payment, clearing and settlement services to its member banks and other financial institutions, clearing almost \$2 trillion daily and representing nearly half of the automated clearing-house, funds transfer, and check-image payments made in the U.S. See The Clearing House’s web page at www.theclearinghouse.org.

⁴ Proposed Agency Information Collection Activities; Comment Request, 78 Fed. Reg. 57,634 (Sept. 19, 2013).

In the Information Request, the Board proposes to require (i) U.S. bank holding companies (“BHCs”) designated as global systemically important banks (“G-SIBs”) by the Financial Stability Board and foreign banking organizations (“FBOs”) with U.S. broker-dealer assets exceeding \$100 billion to submit the FR 2052a; and (ii) U.S. BHCs with assets greater than \$50 billion other than those designated as G-SIBs and FBOs with total U.S. assets greater than \$50 billion, but less than \$100 billion in broker-dealer assets, and U.S. BHCs with assets between \$10 billion and \$50 billion to submit the FR 2052b (collectively, “covered companies”). The Board states that the FR 2052 Reports are designed to “collect quantitative information on selected assets, liabilities, funding activities, and contingent liabilities on a consolidated basis and by material subsidiary entity” in order to “identify and monitor liquidity risks at individual firms as well as in the aggregate across the financial system.”

Our comments are structured as follows. First, we provide general comments on the Information Request. Second, we provide comments on the scope of application and timing of the FR 2052 Reports. Third, we provide specific comments on the FR 2052b. Fourth, we provide specific comments on the proposed certification requirements applicable to certain of the Reports. Finally, we request clarification on specific issues and offer technical comments in Appendix A.

I. General Comments

The Associations understand that the financial crisis highlighted the importance of monitoring liquidity on an institution-specific and system-wide basis, and support efforts by the Board and other U.S. and international regulators to improve regulatory standards and industry practices with respect to liquidity. The Associations, however, have significant concerns with respect to duplicative reporting requirements, inconsistency of certain definitions relative to established market and regulatory definitions, scope of application and timing. The Associations urge the Board to leverage existing reporting mechanisms, use established terminology and definitions and reconsider the applicability of the FR 2052 Reports to smaller institutions.

A. Duplicative and Redundant Reporting Requirements

As a threshold matter, the Associations wish to highlight their concern that the Information Request will impose duplicative and redundant reporting requirements on covered companies. In particular, the Associations are concerned that the FR 2052 Reports unnecessarily duplicate reporting and data collection requirements that may be imposed in connection with the Basel III Liquidity Coverage Ratio (the “LCR Proposal”) and other liquidity related- disclosure and reporting requirements that will be

implemented on a U.S. and an international basis.⁵ With respect to the United States, we note statements by Board staff at the open meeting regarding the LCR Proposal that the Board will seek to implement an LCR-based reporting template when the LCR Proposal is finalized, as well as statements in the preamble to the LCR Proposal that the federal banking agencies intend to “obtain information from covered companies to enable the monitoring of liquidity risks exposure through reporting forms and from information the agencies collect through other supervisory processes” and “separately seek comment upon proposed regulatory reporting requirements and instructions pertaining to a covered company’s disclosure of the proposed rule’s [LCR] in a subsequent notice.”⁶ The Associations believe it is difficult to provide comprehensive comments on the Information Request without adequate information on the entirety of the Board’s liquidity-related reporting requirements, including requirements connected to the LCR Proposal. The Associations urge the Board to clarify the relationship between the FR 2052 Reports and reporting requirements relating to the LCR Proposal and take appropriate steps to avoid the imposition of duplicative and redundant liquidity reporting requirements. In addition, the Associations urge the Board to clarify whether and to what extent the FR 2052 Reports and reporting requirements relating to the LCR Proposal will be integrated or connected with ongoing reporting obligations relating to regulatory capital.

B. Consistency with Existing Practices

The Associations also request that the Board make every effort to ensure that each of the specific data items in the FR 2052 Reports is consistent with both the overall liquidity regulation framework and covered companies’ existing practices, so as to avoid unnecessary complexity and minimize administrative costs and burdens. In this regard, we note two specific instances where the Information Request appears to deviate materially from current approaches.

First, although Section 1 of the FR 2052b requires covered companies to provide information on their holdings of “Liquid Assets,” the definition of “Liquid Assets” does not appear to include a number of assets treated as “High Quality Liquid Assets” under the LCR Proposal, such as U.S. government securities and securities guaranteed by U.S. government sponsored enterprises.⁷ In addition, Section 1 employs a categorization scheme that is inconsistent with categorization contained in the LCR Proposal (*i.e.*, Level 1, Level 2A and Level 2B). The Associations believe the disparate treatment of asset

⁵ Board, *Liquidity Coverage Ratio: Liquidity Risk Measurement, Standards, and Monitoring* (Oct. 24, 2013); Federal Deposit Insurance Corporation, Office of the Comptroller of the Currency, *Liquidity Coverage Ratio: Liquidity Risk Measurement, Standards, and Monitoring* (Oct. 30, 2013).

⁶ Id. at 14.

⁷ Id. at 22.

categories needlessly increases administrative burdens for companies subject to both the FR 2052b and the LCR Proposal. The Associations urge the Board to align the definitions of “Liquid Assets” in the FR 2052b with the definition of “High Quality Liquid Assets” in the LCR Proposal and to clarify the basis for the divergence between the categorization schemes in Section 1 of the FR 2052b and the LCR Proposal, if any.

Second, Appendix B to FR 2052a identifies various categories of collateral for purposes of classifying and reporting securities finance transactions. The Associations do not believe that the categorization scheme in Appendix B is used anywhere else in the financial services marketplace, making compliance with the relevant aspects of the Information Request unnecessarily complex and confusing. The Associations urge the Board to utilize a more generic categorization scheme that conforms to existing regulation and market practice and aligns the definitions among the disparate reporting requirements such as the Call Report and FR Y-9C.

II. Scope of Application

The Board proposes to require U.S. BHCs with assets between \$10 billion and \$50 billion to file Form 2052b. The Associations do not believe it is appropriate to include these institutions in the scope of the Information Request, particularly since they were excluded from the LCR Proposal. We urge the Board to apply a similar approach here, and remove U.S. BHCs with between \$10 billion and \$50 billion in assets from the scope of the Information Request.

III. Timing

A. Initial Submission Date

The Board proposes to require the initial submission of certain of the FR 2052 Reports in January 2014. As the comment period for the Information Request does not close until today, it appears highly unlikely that any final reporting requirement will become effective before December 2013. The Associations believe that covered companies, particularly proposed FR 2052b filers, for whom this is largely a new report, will require considerable time to prepare and submit the initial FR 2052 Reports, and do not believe initial submission deadlines in January 2014 are feasible or realistic; reporting and data collection capabilities for these companies may differ significantly from proposed FR 2052a filers. The Associations therefore request that initial submissions of the FR 2052a be due no earlier than July 10, 2014 and initial submissions of the FR 2052b be due no earlier than January 20, 2015. To the extent that the Board intends the FR 2052 Reports to be complementary to the information required by the LCR Proposal, the Associations ask that the Board consider delaying the effectiveness of the Information Request until the reporting requirements of the LCR Proposal and its definitions have been published for public comment and finalized.

B. Request for “Off-Cycle” Submission Timeline

As the Board is aware, covered companies are subject to numerous and varied reporting requirements in the fourth quarter of the calendar year and the first quarter of the following calendar year, with year-end financial reporting, the Comprehensive Capital Analysis and Review (“CCAR”) and Dodd-Frank Act Stress Tests (“DFAST”) among the most significant and time-consuming of these obligations. In addition, banking organizations expect issuance of additional proposals regarding capital surcharges and long-term debt, among other proposals. The Associations urge the Board to remain cognizant of these potential new and existing requirements, and to consider alternative timing arrangements that would not increase the cumulative reporting burdens during this time of the year. The Associations request that the Board consider structuring the FR 2052 filings as “off cycle” reports that would generally be based on data as of, and collected and submitted, during the second quarter of the calendar year, so as to avoid overlap with CCAR, DFAST and other year-end and first quarter compliance and reporting obligations.

IV. Specific Comments on the FR 2052b

A. Reporting for Material Entities

The proposed instructions for the FR 2052a require a domestic covered company to submit the form for certain entities that are “material contributors to the firm’s funding and liquidity operations” and an FBO to submit the form for material entities “managed within the U.S.,” with the FBO required to consult with its on-site supervisory team to determine these entities. The proposed instructions for the FR 2052b, by contrast, state only that covered companies should submit the form for certain “material” entities operating in the U.S., but do not provide sufficient information as to the definition of “material,” and therefore are not clear as to the level of consolidated reporting that would be required. The Associations believe it is essential for FR 2052b filers to understand the level of consolidated reporting that will be required of them, and respectfully request that the Board clarify the scope of consolidated reporting.

B. Reporting for Repo and Reverse Repo Transactions

The Information Request would require FR 2052b filers to report repurchase and reverse repurchase transactions by asset class and maturity. While creating multiple maturity buckets may be feasible for certain covered companies, many FR 2052b filers engage in relatively low volumes of repo and reverse repo transactions and therefore do not have the systems capabilities to report such transactions with the granularity required by the Information Request. Furthermore, the Associations believe that the value of such granular reporting with respect to such small transaction volumes is substantially outweighed by the costs it would impose on FR 2052b filers. The Associations respectfully request that the Board consider exempting FR 2052b filers that engage in a

de minimis amount of repo and reverse repo transactions, or, in the alternative, to consider a more tailored approach that would not impose such significant costs for comparatively lower benefit.

C. Monthly FR 2052b

The Information Request would require certain covered companies to submit completed FR 2052 Reports only a few days after the “as-of” date (for example, covered companies would be required to submit the monthly FR 2052b 10 days after the December 31, 2013 as-of date). While we acknowledge that proposed FR 2052a filers may have the systems, processes and capabilities to provide relevant data on a daily basis, these have been developed over time and in a less formal manner as the Board has developed various iterations of liquidity data collections that culminated in the current “4G” initiative. We question whether proposed FR 2052b filers are similarly situated – indeed, we believe that many of the proposed FR 2052b filers may not have the systems capabilities to aggregate and submit data only 10 days after it is collected. In addition, companies will likely be in a position to populate the monthly FR 2052b in the most cost-effective and efficient manner using archived data that may not be available until the fifteenth day of each month. In order to facilitate the use of existing data to the maximum extent possible and to alleviate the relative burden on FR 2052b filers, the Associations respectfully request that covered companies be permitted to submit the monthly FR 2052b on the twentieth day of each month.

V. Certification Requirement

The Information Request proposes that covered companies be required to certify certain submissions of the FR 2052 Reports. The Associations strongly oppose any certification requirement for the FR 2052 Reports. As we have commented to the Board on previous occasions, we have significant concerns with requiring certification or attestation for reporting forms for which companies have not had adequate time to understand and make appropriate changes to processes and systems.⁸ We have similar concerns with respect to the FR 2052 Reports, particularly with respect to proposed FR 2052b filers, which may not have the necessary reporting systems in place to collect and aggregate data in the compressed time frame contemplated by the Information Request. Moreover, the proposed 10 day turn-around makes certification infeasible. In any event, the Associations are concerned that the Information Request fails to provide sufficient clarity or detail regarding the certification requirement, *e.g.*, what a certification implies on the part of the covered company, whether a certification would be required as to all or

⁸ See Letter from the Associations, to Robert DeV. Frierson (Oct. 19, 2012), *available at* https://www.aba.com/Advocacy/commentletters/Documents/Final%20Letter_FRY15.pdf; Letter from the Associations, to Jennifer J. Johnson 3-4 (Sept. 4, 2012), *available at* <https://www.aba.com/Advocacy/commentletters/Documents/9-4-12JointTradesCommentLetterreCCAR.pdf>.

a portion of the relevant submission and the relationship between the certification process and submissions made on a “best efforts” basis.⁹ We urge the Board to refrain from requiring the FR 2052 Reports to be certified in any respect until they are well-established and well-understood reporting requirements for all covered companies, and in the alternative, to consider a phased-in approach to the certification requirement that takes into account the different reporting capabilities of different covered companies, *e.g.*, FR 2052a filers vs. FR 2052b filers.

VI. Additional Requests for Clarification

A. Ad hoc Reporting

The Board proposes in the Information Request to conduct up to 10 “ad hoc” collections of daily liquidity data from a total of 16 FR 2052a filers consisting of approximately 65 data items not reported on the FR 2052a. Although the Board states that the results of the ad hoc collections would be used to develop future enhancements to the FR 2052 Reports, the Information Request provides no additional information or clarification regarding the ad hoc requests and their relationship to other reporting initiatives, *e.g.*, the Board’s comprehensive Quantitative Impact Study (QIS”) of the impact of the Basel III capital and liquidity standards in the United States.¹⁰ It is unclear from the Information Request whether there is any relationship between the FR 2052 Reports, the contemplated ad hoc reporting, the QIS process and the “4G” and “5G” monitoring initiatives. The Associations request additional information regarding the ad hoc data requests, *e.g.*, the relationship between the requests and the 4G/5G initiatives, when the requests are likely to be issued, the time period covered by the data requests, what items might be covered and how much time will be provided to respond to the requests. The Associations also request that any ad hoc requests be subject to a notice and comment process to ensure that requests are appropriately tailored and implemented in as efficient a manner as possible. We would welcome the opportunity to discuss the ad hoc data collections and other issues relating to the Information Request with the Board to better understand the Board’s objectives.

B. Relationship between FR 2052 Reports and 4G/5G Data Process

The Board has been collecting liquidity-related information from certain covered companies on an ongoing basis, referred to as the “4G” and “5G” monitoring initiative. The Associations are unclear as to whether and to what extent the FR 2052 Reports will be in addition to, or replace these initiatives. For example, certain covered companies

⁹ We note that the Information Request states clearly that individual information provided by covered companies will be accorded confidential treatment under the Freedom of Information Act. The Associations strongly support this approach.

¹⁰ See, *e.g.*, <http://www.federalreserve.gov/bankinfo/reg/cqis.htm>.

have received indications from Board staff that the FR 2052a will function as the mechanism for collecting 4G data. The Associations request clarification as to the relationship between the FR 2052 Reports and the 4G and 5G initiatives.

C. Availability of Data Items in General Ledger

The Associations request clarification from the Board as to whether it intends for covered companies to report FR 2052 data on a transactional or aggregate basis, and if the former, to consider a less burdensome and more efficient approach to obtaining certain required data. In particular, several of the required data items do not appear to be part of a covered company's general ledger, e.g. the various Section 10 deposit funding items, and as such, would require the implementation of new processes and systems to collect such data. If it is the Board's intention to require covered companies to develop these systems, the Associations request clarification on this point and request the opportunity to discuss with Board staff more efficient and less costly alternative approaches that will allow covered companies to provide the required data in as cost-effective a manner as possible.

VII. Technical Comments

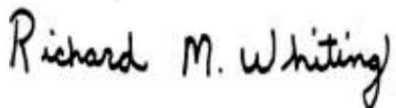
Please see Appendix A for technical comments on the Information Request and the FR 2052 Reports.

VIII. Conclusion

The Associations recognize and support the efforts by the Board and other U.S. and international regulators to promote effective liquidity monitoring and reporting frameworks. In developing such frameworks, we urge the Board to consider approaches that limit duplicative reporting, lower compliance costs to the maximum extent possible and balance those costs with potential benefits.

We thank the Board for the opportunity to comment. If you have any questions, please do not hesitate to contact me, Richard Foster at (202) 589-2424, Alison Touhey at (202) 663-5182, or David Wagner at (212) 613-9883.

Sincerely,

Handwritten signature of Richard M. Whiting in black ink.

Richard M. Whiting
Executive Director and General Counsel
The Financial Services Roundtable

Handwritten signature of Alison Touhey in black ink.

Alison Touhey
Senior Regulatory Adviser
Office of Regulatory Policy
American Bankers Association

Handwritten signature of David Wagner in black ink.

David Wagner
Executive Managing Director and Head of
Finance Affairs
The Clearing House

Appendix A – Technical Comments

General

- The term “financial institution” does not appear to be defined, except in reference to certain categories of financial institutions for the reporting of Deposit Funding.
- The Information Request does not provide instruction on how to value loans, *e.g.*, whether loans are to be valued at face value or market value upon liquidation or some other method. For many categories of loans, there is no universally accepted method of performing the required valuations.

2052b Section 2 – Reverse Repos

- This Section would require covered companies to report reverse repos by category of collateral pledged and maturity. Under the custodial arrangements pursuant to which covered companies often engage in such securities transactions, covered companies may need to request and receive reports from their custodians to obtain such information and manually sort securities into the various categories to comply with the Information Request. In addition, it is unclear if custodians would provide the risk breakouts described in Section 2.
- This section appears to be tailored to larger, internationally active banks; we recommend decreasing the number of maturity buckets and requiring quarterly or annual reporting.

2052b Section 3 – Investment Securities

- The instructions for this section are unclear when referring to lendable values or borrowing capacity, so that lendable collateral value will be difficult to determine because the value depends on where it is pledged. For example, for unencumbered assets, lendable value is irrelevant as margin requirements are different among the various entities that could provide credit. Most banks will pledge securities to either the Federal Reserve or the FHLBs for short-term borrowing needs or as back-up lines of credit; both of these organizations have different margin requirements, as the Information Request recognizes. Banks would have no real way to determine lendable value for unpledged securities other than by providing the current market value which would be duplicative.
- The second qualifying criteria for unencumbered assets states that the assets must be available to [be] convert[ed] in[to] cash . . . “at any time.” “At any time” should be removed from the Information Request because the reporting captures eligibility on the date the reporting is generated as opposed to value over time.

Section 4 – Loans and Leases

- We request clarification on the definition of 4.2 Mortgage: Multifamily and 4.7 multi-family. There appears to be a double counting of multi-family mortgages in the Information Request instructions. Please clarify that multifamily loans are not reported in both Line 4.2 Mortgages: Multifamily and Line 4.7 Commercial Real Estate.
- Many covered companies receive valuation reports from the Federal Reserve Discount Window and the FHLB system 30 days in arrears so that the most recent reporting with respect to such lending would be at least 30 days old for those covered companies. As such, the numbers may not reconcile with other line items or reports.
- The Information Request would require that institutions identify unpledged loans that could be monetized within 90 days. Identifying and establishing market value for these assets would be an onerous, largely manual task that would take longer than 90 days.

Section 6 – Repurchase Transactions

See above comments on Section 2.

Section 9 – Contractual Loan and Committed Inflows

- These reporting requirements are inconsistent with the LCR Proposal's categorization scheme.
- Specific to this Section, there may be an industry-wide dependence on vended solutions for forecasting. For example, QRM currently does not have a forecasting module but will be releasing one in Q2 2014. If the Board intends to have a 2014 compliance date, especially early 2014, this could be problematic.
- In addition, systems such as QRM rely heavily on "replacement business" to drive future projections. Compiling the data requested in Section 9 would be a lengthy and cumbersome process because QRM only allows banks to pick one day of the month (usually the 1st, 15th or EOM) to load the entire month's forecast; output would be concentrated on a single day's input and would require manual adjustment to better represent the bank's forecast.

Section 10 – Deposit Funding

- The Information Request would require covered companies to divide deposit maturities between retail, small medium enterprises, financial institutions and "other." Call Reports require covered companies to report only maturities for

time deposits of less than \$100,000 and time deposits greater than or equal to \$100,000. Furthermore the Information Request creates many more maturity buckets. These new maturity buckets would be a significant change that would require significant IT resources to reprogram at significant cost.

- In the United States, the SME designation only applies to Advanced Approaches banks and not to FR 2052b filers. It is not clear whether SME is intended to be equivalent to Small Business deposits, which many FR 2052b filers currently report, or whether it is meant to be a distinct reporting category.
- The proposed requirement to report deposits by retail, SME, financial institutions and “other” would be extremely costly and difficult to implement, as it would require new ways of defining various deposits that are not currently in use by bank systems. For example, many institutions use their general ledger reporting system to aggregate deposit balances by market and business line; maturity information is not collected. Rather, maturity information is generally contained in application systems for deposits, which do not aggregate balances. Further, the proposed definitions do not provide the level of detail necessary to make any system changes.

Section 12 – Undrawn Commitments

- The proposed reporting is not currently supported by many banks’ lending systems and would be costly to implement. We recommend that the Board utilize existing reporting criteria currently embedded in the Call Report schedule RC-L related to commitments rather than introduce new, although somewhat similar, nomenclature. The Board has not provided sufficient information on the proposed “committed liquidity facilities” to determine if it is the same or something different from the “unfunded commitments” terminology utilized in the Call Report. There could be similar nuances and unintended confusion among the other terms and their utilization in instructions that could cause banks to report incorrect information.

Contingency Pricing Reporting

- Additional clarification is needed on this section, particularly for 2052b filers. For example, “Wholesale Funding Pricing” is not fully defined and could refer to the Fed Funds rate or a blend of the Fed Funds and the FHLB funds rate or some other rate.
- Sections 21.1 and 21.2 are unclear and require further explanation. The Sections seem to include only certain kinds of funding while excluding overall cost of funds (money market deposits etc.). Accordingly, the purpose of this Section should be clarified.